

Building Success. Together.

September 20, 2012

The Honorable Harry Reid Majority Leader United States Senate S-221 The Capitol Washington, D.C. 20510

The Honorable Mitch McConnell Republican Leader United States Senate S-230 The Capitol Washington, D.C. 20510 The Honorable John Boehner Speaker of the House U.S. House of Representatives H-232 The Capitol Washington, D.C. 20515

The Honorable Nancy Pelosi Democratic Leader U.S. House of Representatives H-204 The Capitol Washington, D.C. 20515

Dear Majority Leader Reid, Speaker Boehner, Republican Leader McConnell, and Democratic Leader Pelosi:

Once again, the retail industry is bombarding Congress with manufactured claims of unfairness over how the U.S. payments system operates, part of an effort to drag lawmakers back into the controversial debate over interchange fees and how market participants share in financially supporting that system. The American Bankers Association (ABA) represents banks of all sizes and charters, and strongly disagrees with the merchant community's assertions.

We believe that a recent negotiated settlement between the industries involved represents a historic opportunity for policymakers to put the debate over further government price controls behind them. While the settlement comes at a significant cost to financial institutions, it ultimately works to the benefit of consumers and the payments system as a whole. Here are the facts.

After more than seven years of negotiations that culminated in July, the card industry and retailers worked out an unprecedented legal settlement in a long-running antitrust lawsuit, providing an estimated seven million merchants with more than \$7.2 billion in payments. The settlement also includes several significant structural reforms that will enable all merchants to negotiate better terms over the level of interchange that applies to credit card transactions. In sum, the settlement — *voluntarily* entered into by retailers, financial institutions, and card networks — represents a market solution that resolves the outstanding disputes raised by the parties involved.

Yet despite this resolution, some in the retail community, most recently the Retail Industry Leaders Association (RILA), complain that the settlement is not enough for them, imploring Congress to intervene and impose further price controls. In truth, nothing is ever enough for <u>some</u> in the retail community and their desire to enjoy the benefits of our nation's truly efficient payments system without ever having to pay for it. It is time for the Congress to say enough is enough.

The consequences of the so-called Durbin Amendment to the Dodd Frank Act (imposing price controls on debit card transactions) are instructive. More than two years after its enactment, the net effect of that Amendment has been an increase in profits at big-box retailers, *higher* costs to small

merchants, significant reductions in the revenue available to banks to serve local communities, and *no sign of the lower retail prices consumers were promised*.

We do not believe it is in the interest of policymakers or the consumers they represent to repeat the mistakes of the past by expanding price controls to more aspects of our economy. Policymakers from both ends of the political spectrum have expressed their support for the settlement as the appropriate means to resolve this dispute. We strongly agree. Moreover, many in Congress have asked the industries to sit down and resolve this matter on our own. We have.

For the sake of consumers and the broader economy, we respectfully urge you to put this issue to rest once and for all by rejecting calls by some retail groups for even more government price controls that harm consumers.

Sincerely,

Frank Keating

Cc: Members of the U.S. Senate

Members of the U.S. House of Representatives